Transportation Safety Board of Canada

Bureau de la sécurité des transports du Canada

Transportation Safety Board of Canada

2014-15

Quarterly Financial Report for the Quarter Ended June 30, 2014

Canada

Introduction:

This quarterly report has been prepared by management as required by section 65.1 of the *Financial Administration Act* and in the form and manner prescribed by the Treasury Board. This quarterly report should be read in conjunction with the Main Estimates as well as *Canada's Economic Action Plan 2012 (Budget 2012)*.

The Transportation Safety Board's (TSB) sole objective is to advance transportation safety. This mandate is fulfilled by conducting independent investigations into selected transportation occurrences. The purpose of these investigations is to identify the causes and contributing factors and the safety deficiencies evidenced by an occurrence. The TSB then reports publicly and makes recommendations to improve safety and reduce or eliminate risks to people, property and the environment.

The quarterly report has not been subject to an external audit or review.

Basis of Presentation:

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes the Transportation Safety Board's spending authorities granted by Parliament and those used by the department. Authorities include amounts granted through the Main Estimates for the 2014-15 fiscal year and any respendable revenue earned and available for use to quarter end. This quarterly report has been prepared using a special purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before moneys can be spent by the Government. Approvals are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory spending authority for specific purposes.

As part of the departmental performance reporting process, the TSB prepares its annual departmental financial statements on a full accrual basis in accordance with Treasury Board accounting policies, which are based on Canadian generally accepted accounting principles for the public sector. However, the spending authorities voted by Parliament remain on an expenditure basis.

Highlights of Fiscal Quarter and Fiscal Year to Date Results:

Statement of Authorities

TSB's total authorities available for use decreased by $484,000 between fiscal years 2014-15 and 2013-14. This decrease is explained mainly by a reduction of $437,000 for savings measures announced in Budget 2012 (a reduction of $1,283,000 implemented for fiscal year 2014-15 compared to a reduction of $846,000 implemented for fiscal year 2013-14). The remaining difference is due to a decrease in the rate set by Treasury Board Secretariat for Employee Benefit Plans (16.5% of salaries in 2014-15 compared to 17.4% in 2013-14), and is offset by additional funding received for salary increments awarded under collective agreements signed for certain employee groups in the last quarters of 2013-14.

Statement of Departmental Budgetary Expenditures

The department's quarterly and year-to-date spending are higher by $802,000 or 12% in the current year compared to 2013-14. The increase in expenditures can be attributed to two factors:

- a one-time transition charge of $721,000 to implement the payment of salaries in arrears by the Government of Canada, without impacting employees on salary at the date of implementation; and

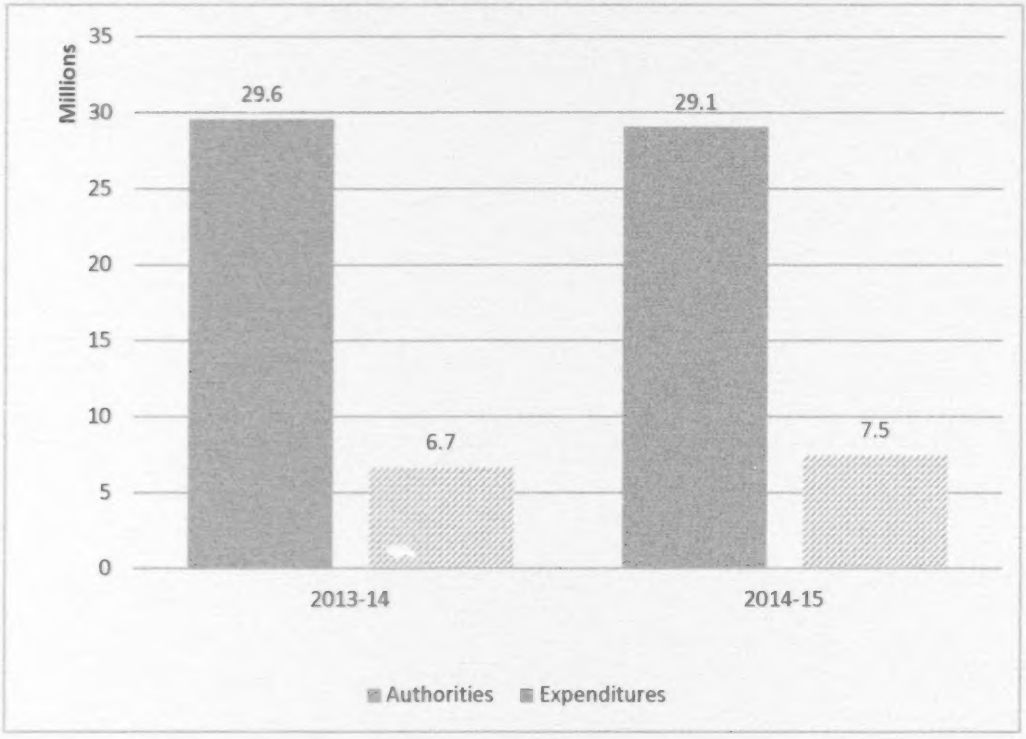
- the expenditure of $612,000 for the receipt and installation of an X-Ray Computed Tomography System, which had been planned for the last quarter of 2013-14 but delivery was delayed by the supplier to the first quarter of 2014-15.

Decreases in spending occurred in several categories of expenditures which are consistent with the TSB's plans to achieve the savings required by Budget 2012. The largest decrease was in personnel costs ($437,000) due to the closure of positions throughout the 2013-14 fiscal year.

At the end of the first quarter the TSB has spent 84% of planned spending for rentals. This is normal for the first quarter as it is due mainly to expenditures for annual software licenses which are payable at the beginning of the year. There should only be minor increases in the quarters that follow for this expenditure category.

As illustrated in Figure 1, the TSB has spent approximately 26% of its authorities at the end of the first quarter. This is approximately 3% greater than the previous year which can be explained by the two significant transactions which increased expenditures in the first quarter as described above.

Figure 1 - First Quarter Expenditures Compared to Annual Authorities



Risks and Uncertainties:

The TSB is funded through annual appropriations. As a result, its operations are impacted by any changes in funding approved through Parliament. As a departmental corporation, it has authority to spend revenues received during the year although such revenues are minimal; on average less than 1% of the department's funding requirements.

A continuous risk to TSB's financial situation is that expenditures are greatly influenced by the number and complexity of transportation occurrences. A significant transportation accident or a flurry of smaller size occurrences could significantly increase expenditures and result in resource pressures that could require the department to seek additional funding from Parliament.

Furthermore, as announced in Budget 2014, departmental operating budgets are frozen for 2014-15 and 2015-16. This presents a risk to the TSB since it will not be allocated any funding for wage and salary increases that take effect during that period, or for the ongoing impact of those adjustments. As a result, the department will need to cover these amounts within its existing appropriations. The TSB is implementing additional spending restraints to ensure this risk is mitigated.

Significant Changes in Relation to Operations, Personnel and Programs:

During 2013-14, the TSB initiated a major occurrence investigation following the July 6, 2013 derailment of a train carrying petroleum crude oil in the center of the town of Lac-Mégantic, Quebec. In 2013-14, the TSB received additional funding in Supplementary Estimates B to cover incremental investigation costs for the field phase and the analysis phase of up to $965,000 for this significant investigation. The Lac-Mégantic investigation continues to represent significant workload for the TSB in 2014-15, most significantly in the areas of overtime, short-term staff, contractors and travel.

Budget 2012 Implementation:

This section provides an overview of the savings measures announced in Budget 2012 that are being implemented in order to refocus government and programs; make it easier for Canadians and business to deal with their government; and, modernize and reduce the back office.

Budget 2012 called upon the TSB to reduce its expenditures by $1,283,000 by 2014-15, a net reduction of approximately 4.3% of its 2012-13 budget. For fiscal year 2014-15, the reduction of $1,283,000 consists of a reduction in the TSB's operating vote of $1,118,000 and a reduction in the statutory authorities for employee benefit plans of $165,000. The TSB has eliminated positions and reduced spending on professional services and special services as well as transportation and communications in order to achieve the reductions in funding. The reduction in expenditures of $437,000 in personnel in these first quarter financial results reflects the implementation of the TSB's savings measures.

During 2014-15, the TSB is continuing to review its operations to identify efficiencies to ensure that it meets the 2014-15 funding reductions and maintain the reduced budget levels for future fiscal years. To date, the TSB has implemented the funding reductions without impacting the number or quality of investigations or the timeliness of its safety communications.

Approval by Senior Officials:

Approved by,

Kathleen Fox	26 August 2014
Chair	**Date**
	Gatineau, Canada
Chantal Lemyre, CPA, CGA	25 August 2014
Chief Financial Officer	**Date**
	Gatineau, Canada

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Statement of Authorities (unaudited)

Fiscal year 2014-15 (in thousands of dollars)[1]

	Total available for use for the year ending March 31, 2015	Expended during the quarter ended June 30, 2014	Year to date used at quarter-end
Main Estimates: Vote 10 - Net operating expenditures	25,757	6,637	6,637
Main Estimates: Statutory authorities - Employee Benefit Plans	3,285	821	821
Statutory authorities - Spending of proceeds from the disposal of surplus Crown assets	14	-	-
Statutory authorities - Expenditures Re: Paragraph 29.1(1) of the *Financial Administration Act*	4	-	-
Total authorities available for use	**29,060**	**7,458**	**7,458**

Fiscal year 2013-14 (in thousands of dollars) [1]

	Total available for use for the year ending March 31, 2014 (restated)	Expended during the quarter ended June 30, 2013	Year to date used at quarter-end
Main Estimates: Vote 10 - Net operating expenditures	26,063	5,760	5,760
Frozen Travel Funding - Budget 2013	-24	-	-
Total Vote 10 – Available for Use	*26,039*	-	-
Statutory authorities - Spending of proceeds from the disposal of surplus Crown assets[2]	28	-	-
Statutory authorities - Expenditures Re: Paragraph 29.1(1) of the *Financial Administration Act*[2]	4	-	-
Main Estimates: Statutory authorities - Employee Benefit Plans	3,505	896	896
Total authorities available for use	**29,576**	**6,656**	**6,656**

[1] Includes only authorities granted by Parliament at quarter end.

[2] These sections have been modified to include carry forward amounts from previous year for the proceeds from disposal of surplus Crown assets as well as any respendable revenue earned and available for use at quarter end. These changes in presentation were made in order to conform to Treasury Board Secretariat's standardized presentation. Note that fiscal year 2013-14 amounts have been restated and reclassified as a result.

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Statement of Expenditures by Standard Object (unaudited)

Fiscal year 2014-15 (in thousands of dollars)

	Planned expenditures for the year ending March 31, 2015	Expended during the quarter ended June 30, 2014	Year to date used at at quarter end
Expenditures:			
Personnel	23,194	5,399	5,399
Transportation and communications	1,526	164	164
Information	135	29	29
Professional and special services	1,956	267	267
Rentals	200	168	168
Repair and maintenance	404	50	50
Utilities, materials and supplies	270	30	30
Acquisition of land, building and works	0	0	0
Acquisition of machinery and equipment	645	630	630
Other subsidies and payments	730	721	721
Total net budgetary expenditures	**29,060**	**7,458**	**7,458**

Fiscal year 2013-14 (in thousands of dollars)

	Planned expenditures for the year ending March 31, 2014 (restated) [1]	Expended during the quarter ended June 30, 2013	Year to date used at at quarter end
Expenditures:			
Personnel	23,649	5,836	5,836
Transportation and communications	1,776	247	247
Information	142	18	18
Professional and special services	2,382	285	285
Rentals	213	157	157
Repair and maintenance	479	61	61
Utilities, materials and supplies	331	44	44
Acquisition of land, building and works	-	-	-
Acquisition of machinery and equipment	604	8	8
Total net budgetary expenditures	**29,576**	**6,656**	**6,656**

[1] Refer to footnote 2 on previous page.